

## **Committee: Council**

**Date: 23 November 2016**

Wards:

## **Subject: Council Tax Support Scheme 2017/18**

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison, Deputy Leader and Cabinet Member for Finance

Contact officer: David Keppler, Head of Revenues and Benefits

### **Recommendations:**

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- A. That Council agree to the uprating changes for the 2017/18 council tax support scheme detailed in this report in order to maintain low council tax charges for those on lower incomes and other vulnerable residents.
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## **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report details the proposed minor changes to Merton's adopted council tax support scheme to ensure that the level of support awarded stays in line with the old council tax benefit scheme had it continued and therefore residents are not worse off due to the new scheme.
- 1.2. That full Council agrees to implement recommendation A above.

## **2 DETAILS**

- 2.1. As part of the Spending Review 2010, the Government announced that it intended to localise council tax benefit (CTB) from 1 April 2013 with a 10% reduction in expenditure. These plans were included as part of the terms of reference for the Local Government Resource Review and as it currently stands, the Welfare Reform Bill contains provisions to abolish CTB.
- 2.2. Following a formal consultation exercise full Council agreed on the 21 November 2012 to absorb the funding reduction and adopt the prescribed default scheme in order to maintain low council tax charges for those on lower incomes and other vulnerable residents.
- 2.3. Council have subsequently agreed to continue with the same scheme on an annual basis for 2014/15, 2015/16 and 2016/17.
- 2.4. Each year the Government "uprate" the housing benefit scheme and the new council tax support scheme for pensioners. This is where state pensions and benefits are increased by a set percentage and the Government also increase the applicable amounts and personal allowances (elements that help identify how much income a family or individual requires each week before their housing benefit starts to be reduced) and also non dependant deductions (the amount a non child who lives with the claimant is expected to contribute to the rent and or council tax each week).

- 2.5. The Government have stated that under the new local council tax support scheme pensioners must not be worse off and that existing levels of support for them must remain and this protection will be achieved by keeping in place existing national rules, with eligibility and rates defined in Regulations broadly similar to those that previously existed. This is known as the Prescribed Pensioners scheme.
- 2.6. When full Council adopted the Governments default scheme in November 2012 it was not clear what would happen with regards to the uprating of the default scheme from April 2014 onwards. Advice received from the Department of Communities and Local Government (DCLG) at the end of September 2013 stated that if a Council did not formally agree a revised scheme for the following financial year which would include any “uprating” then its local scheme for the previous year would automatically become its default scheme and as a consequence the “uprating” would not take place and many residents would face an increased council tax bill.
- 2.7. This means that if Merton wants to continue with its council tax support scheme which is broadly similar to the old council tax benefit scheme it would have to formally consult and agree on the “uprating” each year. Merton have subsequently agreed this approach in prior years and is now seeking agreement to the same for 2017/18.
- 2.8. It is estimated that if the uprating was not applied the expenditure of the scheme, if everything else remained constant, would be approximately cost neutral. Increases in payments for non-dependants living in households would not be applied and some residents receiving disability benefits or premiums could face higher council tax bills. However, the exact detail will not be known until December 2016 when the details for the housing benefit and Prescribed Pension Scheme are issued.
- 2.9. The Government will uprate the housing benefit scheme from the 3 April 2017 and the detail of this process is unlikely to be known until early December 2016. The Government will also uprate the Prescribed pensioner scheme for council tax support from 1 April 2017. Once the detailed information is known it is proposed to use the data from these to uprate the council tax support scheme.
- 2.10. From April 2016 there was a change to “backdating” rules for the working age housing benefit scheme. When the consultation for the 2016/17 Council Tax Support scheme took place this change had not been announced by the government and therefore not included in the consultation.
- 2.11. To adhere to the principal of trying to mirror the Council Tax Support scheme to the old Council Tax Benefit scheme and the Housing Benefit scheme for working age people, the consultation for the 2017/18 scheme included this change. So from 1 April 2017 working age claimants will only be entitled to apply for one month backdated Council Tax Support reduced from three months. The consultation also incorporates that any new changes to the housing benefit scheme introduced after the consultation and agreement of the Council Tax Support Scheme will be included in the Council’s 2017/18 scheme. This also includes any new changes introduced part way through the year.

- 2.12. In 2015/16 £122,000 council tax support was granted as backdated award. This figure includes backdated awards for pensioners of up to six months which is not changing. With the reduction from three months to one month maximum backdating for working age claimants in line with Housing Benefit it is estimated that the cost will reduce by £25,000.
- 2.13. The uprating of the council tax support scheme will be effective from the 1 April 2017.
- 2.14. A formal consultation exercise regarding the change of the scheme was undertaken between 27 July 2016 and 14 October 2016. Only 19 responses were received, 12 opted to apply the uprating and 7 opted not to apply the uprating.
- 2.15. Specific comments on the consultation were:-  
*“Please don’t introduce charges for people on benefits like some boroughs have.”*  
*“Please ensure those that need support continue to receive it, and it would be useful if you increased council tax for all to ensure you have the funds.”*  
The full consultation analysis are shown in Appendix 1
- 2.16. This level of response is in stark contrast to the consultation exercise undertaken in the summer of 2012 when the Council first proposed to absorb the funding reduction and ensure that no Merton residents would be worse off due to the change in scheme. Then there were 1,007 responses of which 820 opted to retain the same level of support as council tax benefit and keep the level of contribution towards the council tax down for eligible applicants. Only 69 opted to implement a new council tax support scheme that’s offers less assistance and means that certain groups of people would have to pay more council tax.
- 2.17. The Council has also consulted with our major precepting authority, the Greater London Authority. The GLA has no further specific comments on these proposals at this stage as it regards them as being a legitimate matter for local determination.

### **3 ALTERNATIVE OPTIONS**

- 3.1. The only alternative option would be not to undertake the uprating of the scheme and continue with the existing scheme. This would result in some of the poorest residents facing increased council tax bills from April 2017 and go against the wishes of those responding to the consultation.

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. A consultation exercise has been undertaken and the results of this are detailed in 2.14 above and shown in Appendix 1 attached.

### **5 TIMETABLE**

- 5.1. The key milestones for the Council are detailed below:

Task	Deadline
Consultation with public and precepting authority on proposed change to the scheme	27 July 2016 to 14 October 2016
Report to full Council for agreement to proposed change to the scheme	23 November 2016
Detailed analysis of the housing benefit and Prescribed Pensioner schemes uprating to establish exact parameters to be applied for the uprating of the council tax support scheme	December 2016 – or as soon as the information is available from the Department of Work and Pensions
Deadline for agreement of amended scheme	31 January 2017
Testing of IT software for amended scheme	February 2017
Implement amended scheme	1 April 2017

## **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1. Based on current expenditure for 2016/17 it is estimated that £11.1 million will be granted in council tax support for 2017/18 assuming there is no change in the council tax. This figure includes the Greater London Authorities share of the scheme, the cost just for Merton is £8.1 million. This continues the downward trend in each year that the scheme has been operating for an initial figure of £13.4m.
- 6.2. It is estimated that if the uprating was not applied the expenditure of the scheme, if everything else remained constant, would be approximately cost neutral.
- 6.3. If the maximum period of backdating is reduced from three months to one month for working age claimants in line with Housing Benefit it is estimated that there would be a £25,000 saving on the scheme.
- 6.4. The council has recently submitted its Council Tax Base Return (CTB) to Government. This is based as at October 2016 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2017/18 and the MTFs 2017-21 will be updated as appropriate during the budget process.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. The Council must formally agree its council tax support scheme for 2017/18 by the 31 January 2017.
- 7.2. If a new scheme is not agreed by this date then the scheme the council administered for the previous year (2016/17) would become the default scheme for 2017/18.

**8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 8.1. A formal consultation exercise has been undertaken. The results of this are detailed in 2.14 above and attached at Appendix 1.
- 8.2. Any changes to the council tax scheme which results in reductions of support will mean some residents facing an increase in their council tax bills. Some of these residents, due to the yearly uprating undertaken by the Department of Work and Pensions, would not have previously been faced with increased council tax bills. In the past it has sometimes proved difficult in collecting council tax or community charge from residents who are on limited income and or benefits.

**9 CRIME AND DISORDER IMPLICATIONS**

- 9.1 None for the purpose of this report

**10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 10.1. The Council will need to continue to closely monitor the cost of the council tax support scheme to ensure it is affordable for future years. Although in previous years we have not seen an increase in caseload, it is possible that the full impact of the welfare reform could result in more families located in inner London moving into Merton which would result in an increase in council tax support expenditure.

**11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

Appendix 1. Consultation results and equalities breakdown

**12 BACKGROUND PAPERS**

- 12.1. None

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